

Duke Energy Allowable Ex Parte Briefing
Before the Public Service Commission of South Carolina
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November 19, 2021

Two States – One Grid

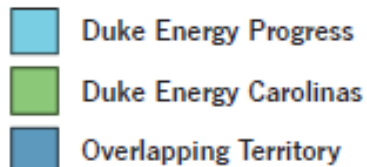
Duke Energy Carolinas service area:

- Covers approximately 24,000 square miles
- Electric service to 2.5 million customers
- Duke-owned generation capacity: 19,700 MW
- 3rd party solar & private solar 1015 MW

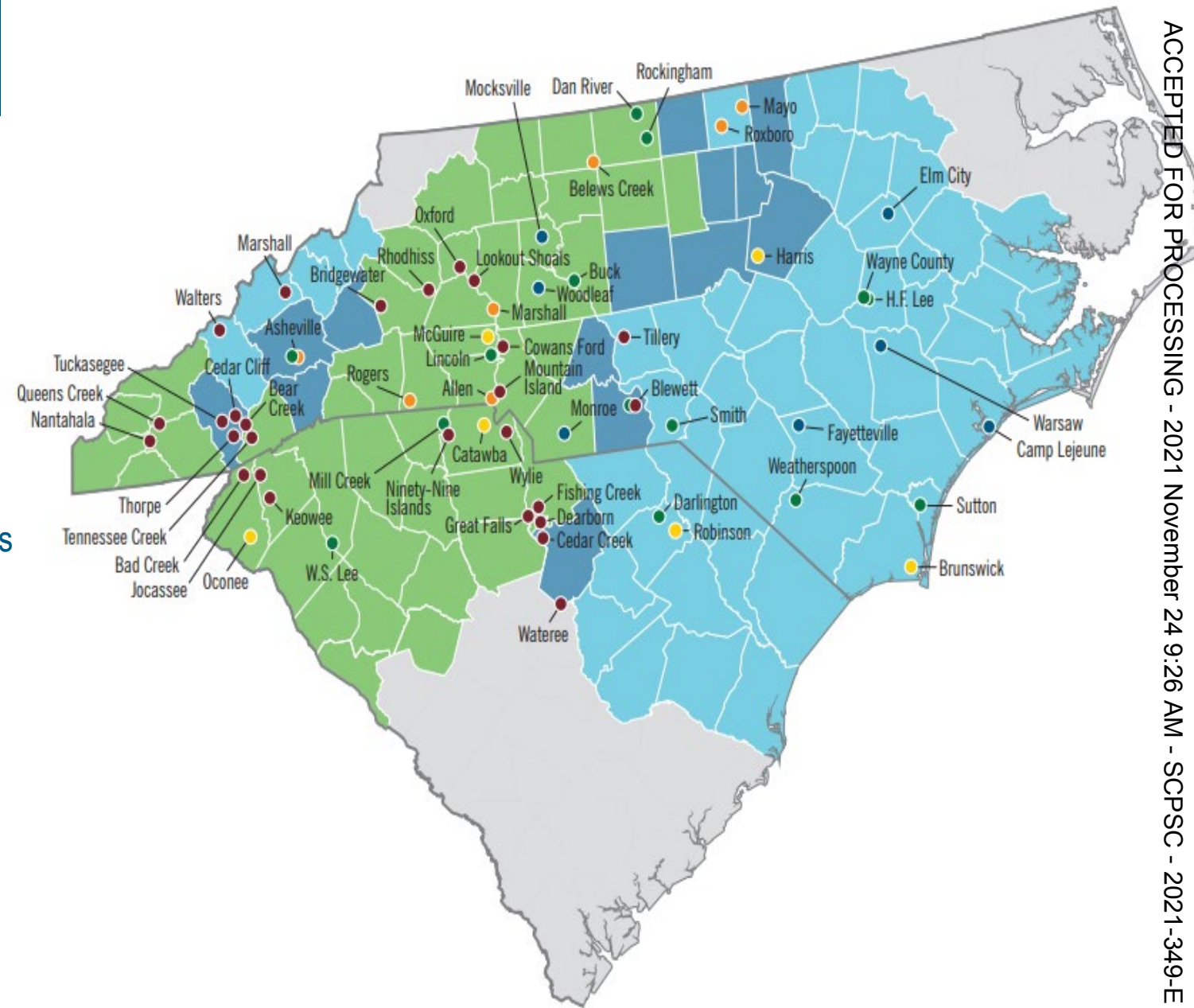
Duke Energy Progress service area:

- Covers approximately 32,000 square miles
- Electric service to approximately 1.5 million customers
- Duke-owned generation capacity: 12,900 MW
- 3rd party solar & private solar 2858 MW

Service Territory Counties Served*



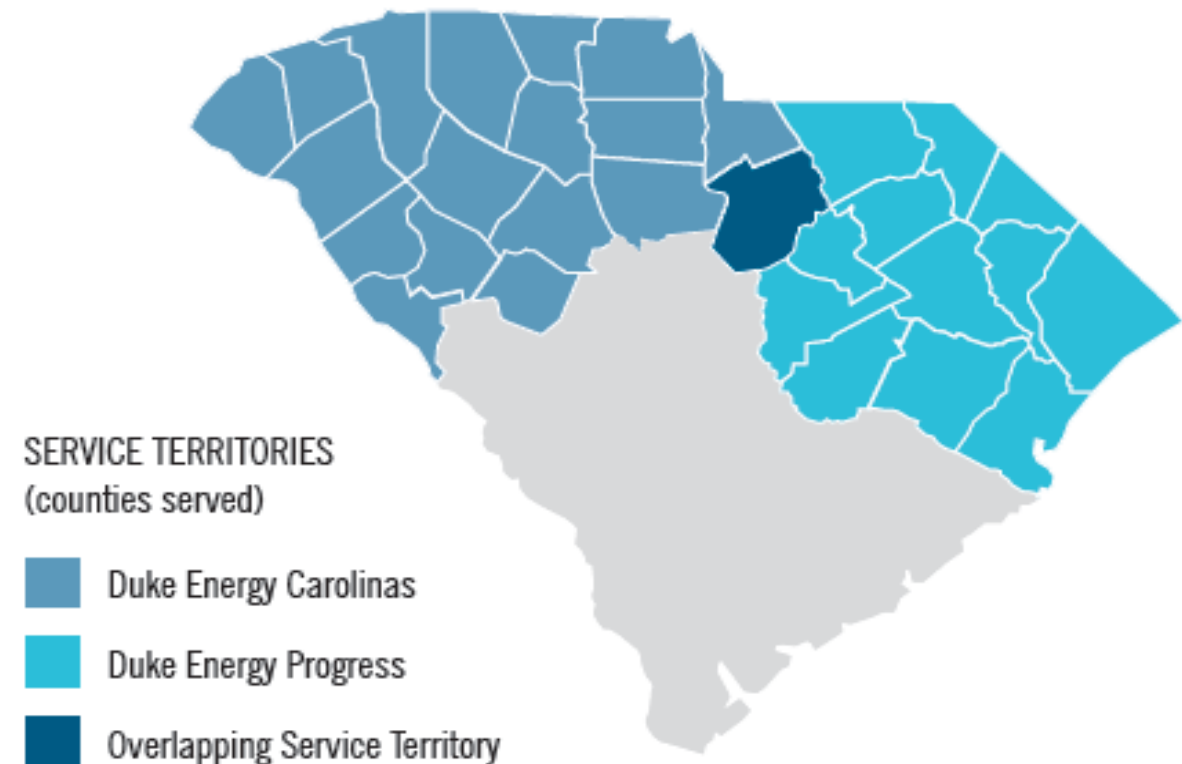
**Portions may be served by other utilities.*



Duke Energy in South Carolina

- **117 years of service**
- **Two utilities**
 - Duke Energy Carolinas (Upstate)
 - Duke Energy Progress (Pee Dee)
- **800,000 retail customers**
 - Duke Energy Carolinas – 628,000
 - Duke Energy Progress – 172,000
- **6 operating nuclear units**
- **\$177 million in annual SC property tax payments**
- **3,600 employees in SC**
- **7,400 retirees in SC**

South Carolina Service Area



Economic Development Supported by a Shared System

- We serve nearly 800,000 retail electric customers in 30 counties (800,730 as of 11/16) at rates more than 20% lower than the national average.
- Duke Energy current economic impact on the state totals approximately \$7.6 billion annually and includes significant business recruitment and retention efforts.
- Duke Energy's economic impact extends to 42 of South Carolina's 46 counties.
- As Duke Energy continues to develop more diverse energy sources, the expansion of job opportunities directly contributes to the economic success of rural and underdeveloped communities across the state.
- In 2020, Duke Energy helped recruit more than \$640 million in capital investment and more than 1,200 new jobs to South Carolina.
- Since 2005, a dedicated team of experts recruited customers with capital investment of more than \$15.6 billion. Those efforts produced more than 39,600 associated jobs for the state of South Carolina.
- More than 3,600 Duke Energy employees and 7,400 retirees work and live in South Carolina.

Moving to a Cleaner Energy Future

RETIRING COAL AND ADDING SOLAR...

- Retired ~6,000 MW of coal between 2011 and 2018
- No coal units operating in S.C.
- 4,200 MW solar connected

...REPLACING WITH LOWER-CARBON ALTERNATIVES YET TO BE DETERMINED

Utility Owned Solar

Wind

Advanced Nuclear

Battery Storage

Natural Gas

3rd Party Solar

Hydrogen

Pumped Storage

S.C GENERATION FLEET

HIGHLY-EFFICIENT NATURAL GAS

- W.S. Lee (Anderson County) – 2018 – 750 MW

S.C. ZERO-CARBON NUCLEAR

- 5600+ MW
 - Catawba Station (York County)
 - Robinson Station (Darlington County)
 - Oconee Station (Oconee County)

S.C. RENEWABLES (DEC & DEP)

- SC Solar:
 - 124 MW private solar
 - 125.7 MW utility-scale
 - 268.9 MW under construction
 - ~2335 MW interconnection queue
- SC Hydro:
 - 1775 MW of Pumped Hydro
 - 405 MW of Traditional Hydro

Why Carbon Reduction for the Carolinas?

Carbon reduction is a business reality, a priority of the utility industry, and is important to:

- **Customers**
- **Raising capital to fund operations**
- **Resiliency**
- **Fuel Security**
- **Growing Renewables**
- **Enhancing opportunities for third party solar**
- **Recruiting and retaining industrial and business customers**

DEC & DEP carbon reduction goals are consistent between NC (HB 951) and SC (modified IRP)

HB 951 Overview

On October 13, Governor Cooper signed the legislation into law after passage with bi-partisan approval in the North Carolina Senate by a 42-7 margin and the House of Representatives by a 90-20 margin. The legislation establishes a framework overseen by the NCUC to advance state CO₂ emission reductions through the use of **least cost planning** while providing for continued **reliability** and **affordable rates** for customers served by such generation. It also authorizes the use of **performance-based regulation**.

Carbon Reduction Plan (affects NC and SC)

- By December 31, 2022, the Commission shall develop an initial Carbon Plan to achieve a reduction of 70% CO₂ emissions by 2030 and carbon neutrality by 2050, considering all resource options and the latest technological advancements. Carbon Plan provisions include:
 - The Carbon Plan will be reviewed every two years and may be adjusted as necessary;
 - Commission discretion to determine timing and resource mix to achieve both least cost compliance and CO₂ reduction goals; and
 - Preservation or improvement of grid adequacy and reliability as generation and resources change.
- All new generation facilities shall be owned and recovered on a cost-of-service basis by Duke Energy, with the exception of solar generation facilities. In the case of solar generation, 55% shall be owned and recovered on a cost-of-service basis by Duke Energy and 45% shall be procured through long term purchase power agreements with third parties.

Regulatory Reform (NC only)

- The legislation authorizes the Commission to consider approval of Performance-Based Regulation that would include the following components:
 - Multi-year rate plans with a maximum 3-year term, with increases in years 2 and 3 for projected capital spend capped at 4% of year 1 baseline revenues.
 - Under the multi-year rate plan, any earnings exceeding 50 basis points above the authorized ROE will be directly refunded to customers.
 - Performance Incentive Mechanisms to track utility performance, with both incentives and penalties in aggregate capped at 1% of the utility's revenue.
 - Revenue Decoupling for Residential customer class, separating the revenue by customer from their level of consumption.

Other NC Provisions

- The Commission shall establish rules to securitize costs associated with early retirement of subcritical coal-fired electric generating facilities to achieve authorized carbon reduction goals of 50% of remaining net book value, with the remaining net book value recovered through traditional recovery mechanisms.
- Provides for a North Carolina on-utility bill repayment program designed to make energy efficiency improvements more affordable
- Provides for the Commission to evaluate net metering rates, review stand by charges and establish new voluntary customer renewable programs.
- Establish rules for updating rates and terms of certain existing small solar power purchase agreements executed under PURPA.

A Joint Proceeding for the Future of a Joint System

- Joint operations means joint planning
- Joint planning includes carbon reduction plans in both states
- It makes sense that both states opine on a carbon plan that impacts customers in both states
- In order to plan for resources in South Carolina and North Carolina, we need alignment between the states
- Much work to be done – a carbon plan does not currently exist for the Carolinas
- Whatever carbon plan we propose will be informed by stakeholder engagement in both states
- Asking for South Carolina to take a seat at the table to help determine the future for our operations in the Carolinas

PROPOSED PROCEDURES FOR THE JOINT PROCEEDING

- BOTH COMMISSIONS MAINTAIN SEPARATE DOCKETS FOR ELECTRONIC FILINGS – ALL FILINGS MADE IN BOTH DOCKETS
- DISCOVERY PROCESS IS SIMILAR IN BOTH STATES – A JOINT PROCEEDING SHOULD BE MORE EFFICIENT FOR THE COMPANIES AND INTERVENORS
- ORS WOULD RETAIN ITS AUDIT/DISCOVERY RIGHTS UNDER S.C. CODE ANN. SECTION 58-4-55
- THE PRE-FILING REQUIREMENTS OF THE TWO COMMISSIONS ARE SIMILAR – A JOINT PROCEEDING SHOULD BE MORE EFFICIENT FOR THE COMPANIES AND INTERVENORS
- COMMUNICATIONS AMONG COMMISSIONERS AND STAFF WOULD BE PERMITTED – THE COMPANIES DON'T BELIEVE THAT SUCH COMMUNICATIONS WOULD BE PROHIBITED BY S.C. CODE 58-3-260 (THE EX PARTE RULE)
- THE HEARING WOULD BE HELD BEFORE BOTH COMMISSIONS
- THE COMPANIES PROPOSE THAT THE CHAIR OF THE NCUC PRESIDE – HB 951 REQUIRES THE NCUC TO ACT ON A CARBON PLAN BY DECEMBER 2022
- FOLLOWING THE HEARING AND DEVELOPMENT OF A RECORD THE TWO COMMISSIONS WOULD TAKE ACTION SEPARATELY – THE NCUC WOULD ADOPT A CARBON PLAN; THIS COMMISSION WOULD CONSIDER AND ACT ON THE COMPANIES' REQUEST THAT IT REQUIRE THE CARBON PLAN TO BE USED IN THEIR 2023 INTEGRATED RESOURCE PLANS